

**PEARL RIVER COMMUNITY COLLEGE
DEVELOPMENT FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pearl River Community College Development Foundation, Inc., a nonprofit organization, was founded in 1987. The Foundation's mission is to raise funds in order to provide scholarships, faculty awards, teacher grants and endowments for the students and faculty of Pearl River Community College. Revenue is derived primarily from outside contributors.

The accounting policies of Pearl River Community College Development Foundation, Inc. conform to accounting principles generally accepted in the United States of America applicable to non-profit organizations. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting - The financial statements of the Foundation have been prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined and presented for the Foundation as a whole in accordance with the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations of property, equipment, marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fair Value of Financial Instruments - The carrying amount at June 30, 2004 for cash and cash equivalents, certificates of deposit, treasury notes, investments, pledges receivable, accounts payable, and accrued expenditures are a reasonable estimate of their fair values.

Income Taxes - The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Investments - The Foundation accounts for investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents - For purposes of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with maturities of three months or less at the time of acquisition.

Contributed Facilities - The Foundation occupies without charge certain premises located in Pearl River Community College owned buildings. The Foundation does not have a lease with the College for the office space and office furniture which is for future benefits to be received from the Foundation. The College also provides other operating expenses, such as staff payroll and benefits, which have been shown on the Statement of Activities as both support and general administration expenses. The value of the office space, office furniture and utilities has not been included in the Statement of Activities because they cannot be reasonably determined.

Fixed Assets - The Foundation's fixed assets consist of computer equipment and office furniture. All assets are valued at cost and depreciated using the straight-line method over the estimated useful life of the asset. Office furniture and equipment are being depreciated over 5-7 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations. Depreciation charged to expense in the current year totaled \$1,986.

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YEAR ENDED JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets - Net assets of the Foundation consist of the following:

Unrestricted - These amounts are available for general obligations of the Foundation and for operating activities such as general scholarships, awards, projects, administration, etc.

Temporarily restricted - These amounts are restricted by donors to be used for a specific purpose or scholarship.

Permanently restricted - (Scholarship endowments) - These amounts are permanently restricted by donors and cannot be used by the Foundation. Income and capital gains may or may not be used depending on the endowment agreement.

NOTE 2 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 - FUND RAISING

The Foundation had one major fund-raising event during the year. The event consisted of a food festival and auction known as the Extravaganza. The Foundation sold tickets and auctioned donated items. This event has been shown in the Statement of Activities as a source of unrestricted revenue and expense. The following is a summary of the event.

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NOTE 3 - FUND RAISING (Cont.)

Revenues earned (exclusive of contributions)	\$ 49,615
Less: Expenses	<u>16,440</u>
Net funds raised	<u>\$ 33,175</u>

The fund raising expenses included under supporting services in the Statement of Activities are for expenses incurred in inducing others to contribute money for which the contributor will receive no direct economic benefit, such as printing, mailing and maintaining mailing lists.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The Foundation receives a substantial amount of its support from Pearl River Community College. A significant reduction in the level of this support, if this were to occur, may have an effect on the Foundation's programs and activities.

Financial instruments that potentially subject the Foundation to credit risk include cash and investments.

Deposits are maintained at several financial institutions. The FDIC provides up to \$100,000 coverage at each institution. At June 30, 2004, \$340,135 of cash deposits were uninsured. However, management feels there is minimal risk exposure as a result of this uninsured balance.

The Foundation's investments are not collateralized. Future changes in market prices may make such investments less valuable.

NOTE 5 - COMMON FUND INVESTMENTS

During the year ended June 30, 1996, the Foundation received a \$250,000 Endowment Challenge Grant. This grant, along with the funds raised during the Endowment Challenge period, was invested with "The Common Fund - Investment Management for Educational Institutions."

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NOTE 5 - COMMON FUND INVESTMENTS (Cont.)

The activity in the Common Fund for the year ended June 30, 2004, was as follows:

Market value at June 30, 2003	\$ 795,893
Income	18,944
Market gains	107,399
Expenses	<u>(5,000)</u>
Market value at June 30, 2004	<u>\$ 917,236</u>
Cost basis at June 30, 2004	<u>\$ 634,509</u>

The Foundation is restricted from spending the fund corpus for twenty (20) years from the grant date. The Foundation is allowed to spend 50% of the income earned each year; however, it is not the Foundation's intent to do so.

NOTE 6 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2004 consisted of the following:

Temporarily restricted	\$ 7,250
Permanently restricted	<u>-</u>
Total	<u>\$ 7,250</u>

These pledges are due as follows:

Due in less than one year	\$ 1,000
Due in one to five years	<u>6,250</u>
Total	<u>\$ 7,250</u>

No provision has been made for uncollectible amounts as management believes that all will be collected.

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NOTE 7 - RESTRICTIONS ON NET ASSETS

Net assets were released from donor restrictions by meeting the time restrictions or by incurring expenses satisfying the purpose restrictions specified by donors as follows:

Restriction accomplished:	
Scholarships	\$ 186,962
Wildcat Club	1,163
Educational departments	82,836
Other	<u>9,980</u>
	<u>\$ 280,941</u>

Temporarily and permanently restricted net assets at 6/30/04, were restricted as follows:

Temporarily restricted:	
Scholarships and grants	\$ 863,707
Chapel campaign	<u>717,864</u>
	<u>\$ 1,581,571</u>
Permanently restricted:	
Endowment scholarships and grants	<u>\$ 1,047,365</u>